

CIA/OER/S-06784-75 Approved For Release 2000/08/01 : CIA-RDP80-00608R000100010001-5 COMMENTS ON ARTHUR D. LITTLE, INC. STUDY OF
INDUST PREPAREDNESS MAR 75 UNCL 01 OF 01

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

5-6784
MICRO ONLY

March 13, 1975

Mr. Robert Kupperman
Chief Scientist
United States Arms Control
and Disarmament Agency

Dear Mr. Kupperman:

We have reviewed the Arthur D. Little study that you sent us and find it to be first rate.

I first asked [] our Special Assistant for Technology, to read the report. [] is an engineer who has been studying Soviet industrial capabilities for over 20 years. His enthusiastic reaction is summarized in the attached memorandum.

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After [] finished his review, I also read the study. I think it is one of the best examples of government-sponsored research in this area that I have seen in a long time. The ADL people pursued the I-O approach as far as it could take them, showing appropriate concern for its limitations. But I was most impressed by their systematic treatment of industrial detail in trying to identify potential mobilization bottlenecks. In your letter, you said that the study was a "beginning analytical effort" and that the ADL methodology was "somewhat rudimentary." I'm not sure that better techniques -- if they can be brought to bear on the problem -- will add a great deal to the answer that ADL has already given: the United States is in a poor position to use sudden and substantial increases in military spending as a controlled response to violations of an arms control agreement.

On File, ACDA Release Instructions Apply

Sincerely,

[]

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Office of Economic Research

Attachment:
As stated

ATTACHMENT

10 March 1975

MEMORANDUM FOR:

SUBJECT

: [REDACTED]
Comments on the Arthur D. Little, Inc.
Study of Industrial Preparedness in an
Arms Control Environment, Made for the
U.S. Arms Control and Disarmament Agency

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1. The study seems very complete. All factors appear to have been considered. U.S. industrial responsiveness has been considered on both macro and micro levels. The paper examines the physical, economic, psychological and international constraints on using preparedness for industrial mobilization as a lever to induce signature countries to observe their arms control agreements with the U.S.

2. As Robert H. Kupperman says, the job of analyzing this problem is complex. However, I believe that A.D.L. has brought out the basic facts to be faced by the political scientist, the economic policy maker, and the industrial mobilizer (Office of Preparedness?). The Summary and Conclusions begin on Page 63 of Volume II. The "Key Finding" in this section asserts that an improvement in the US capability for industrial mobilization is required to meet the variety of demands that could be placed on it in an evolving environment of arms control and detente. The evidence surfaced by A.D.L. seems to indicate that there is no practical way to invoke "limited" industrial mobilization as a negotiating or warning device. Further, some very specific steps need to be taken to prepare our defense industries to undertake serious mobilization in the event of a threat to the US security which can be clearly perceived by the American people.

3. Limited mobilization, such as ADL's test case of a 100% increase in military procurement in one year, would not be acceptable to the Congress and the American people if presented as a requirement to show "US strength of purpose." The ADL argument on this point is convincing. Since this scenario will not occur, it seems to me that there is no further point in agonizing over the economic

consequences (inflation, balance of payments problems, increased taxation, etc.) that would flow from doubling military procurement in one year. However, if the nation were clearly endangered, and an increase in force levels and weapons inventories were recognized as essential to survival, not only could the Congress invoke industrial mobilization, but the electorate would accept the cost in higher taxes, foregone consumption, and loss of freedoms (wage, price controls). The question then would be whether the preparations for industrial mobilization were adequate.

4. The military establishment has studied the problem of industrial mobilization since the end of WWII. The Industrial College of the Armed Forces has treated the problem in depth. The problem is to anticipate the bottlenecks and provide standby capacity for those processes that cannot be provided for by conversion of facilities from civilian production. ADL has done a good job of identifying the bottlenecks and the options for dealing with them.

5. On Page 69, Volume II, the ADL analysts temporize and qualify their evaluation of industrial mobilization in the management of arms control programs. I think their evidence has shown that no clear usefulness to arms control program management can be found in industrial mobilization in the foreseeable future.

6. As to the quality of the research, and the need for further research on the subject, I think this is an outstandingly good job and shows considerable depth of understanding of production processes and interindustry dependencies. It also indicates that ADL, Inc. understands the current economic problems of the individual industries.



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Special Assistant for Technology

CIA/OER
10 Mar 75

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Special Assistant for Technology

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UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

February 13, 1975

TATINTL

[Redacted]
Office of Economic Research
Room 4F42, CIA Headquarters
Washington, D.C.

Dear [Redacted]

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ACDA is concerned with the arms control implications of a strong industrial base. We feel the viability of arms control agreements is much enhanced when the United States has the ability to respond rapidly to serious violations. With this as background ACDA entered into contract with Arthur D. Little, Inc. to study the responsiveness of the US industrial base to stresses required to meet sudden, accelerated national security needs.

We view the study as a beginning analytical effort exploring economic, organizational and psychological aspects of mobilization. Because of the enormous complexities of the program, ADL has not gone nearly as far as is needed, their techniques of analysis being somewhat rudimentary. Unfortunately, there are no tools of analysis available of sufficient sophistication to do this job really well.

Despite these reservations, however, I feel the study is a definite step forward. It is also a sobering document. We would like to ask a number of federal officials, as well as some consultants of ours, to review it. The study was performed on an unclassified basis, yet the compilation of results may be sufficiently sensitive to warrant classification. Consequently, we ask you to hold the document closely pending our review of the study's sensitivity.

I would be grateful if you would give us your comments, and would particularly appreciate it if you would respond within a month's time.

On File, ACDA Release Instructions Apply

Sincerely,

Robert H. Kupperman
Chief Scientist

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